

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re: W.R. GRACE & CO., <i>et al.</i>, Debtors.	§ § § § § §	Chapter 11 Jointly Administered Case No. 01-01139 (JKF)
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**FEE AUDITOR'S FINAL REPORT REGARDING THE FORTIETH
QUARTERLY FEE APPLICATION OF PRICEWATERHOUSECOOPERS LLP**

This is the final report of Warren H. Smith & Associates, P.C., acting in its capacity as fee auditor in the above-captioned bankruptcy proceedings, regarding the Fortieth Quarterly Fee Application of PricewaterhouseCoopers LLP (the "Application").

BACKGROUND

1. PricewaterhouseCoopers LLP ("PwC") was retained as auditors and tax consultants to the Debtors and Debtors-in-Possession. In the Application, PwC seeks approval of fees totaling \$818,206.96 and expenses totaling \$28,019.63 for its services from January 1, 2011 through March 31, 2011 (the "Application Period"). Also, in the Application, PwC seeks approval of the following Special Project Applications:

- Controls Optimization Project Application for March 2010 in which PwC seeks expenses totaling \$2,828.72;
- Controls Optimization Project Application for April-May 2010 in which PwC seeks fees totaling \$26,876.76 and expenses totaling \$374.50;
- Controls Optimization Project Application for June 2010 in which PwC seeks fees totaling \$20,792.56 and expenses totaling \$105.00;
- 2003 - 2006 Darex Puerto Rico Audit Application in which PwC seeks fees totaling \$148,991.34 and expenses totaling \$791.22;

- 2007 Darex Puerto Rico Audit Application in which PwC seeks fees totaling \$36,647.48 and expenses totaling \$78.81;
- 2008 Darex Puerto Rico Audit Application in which PwC seeks fees totaling \$51,264.56 and expenses totaling \$40.00;
- 2010 Darex Puerto Rico Audit Application in which PwC seeks fees totaling \$67,003.30 and expenses totaling \$618.15;
- Advisory Services Project Application in which PwC seeks fees totaling \$149,994.00 and expenses totaling \$17,492.95; and
- Shared Services Project Application in which PwC seeks fees totaling \$44,428.80 and expenses totaling \$1,403.26.

2. In conducting this audit and reaching the conclusions and recommendations contained herein, we reviewed in detail the Application in its entirety, including each of the time and expense entries included in the exhibits to the Application, for compliance with 11 U.S.C. § 330, Local Rule 2016-2 of the Local Rules of the United States Bankruptcy Court for the District of Delaware, Amended Effective February 1, 2011, and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330, Issued January 30, 1996 (the "U.S. Trustee Guidelines"), as well as for consistency with precedent established in the United States Bankruptcy Court for the District of Delaware, the United States District Court for the District of Delaware, and the Third Circuit Court of Appeals. We served an initial report on PwC based upon our review, and we received a response from PwC, portions of which response are quoted herein.

DISCUSSION

3. We note for informational purposes that PwC billed the time of Audit Partner, Jay Sieler, at \$1,019.82 per hour. During the Application Period, Mr. Sieler billed 0.5 hours for fees of \$509.91. In *In re USG Corporation*, Case No. 01-2094 (JKF), Transcript of Proceedings, July 19,

2004, p. 14, the Honorable Judith K. Fitzgerald asked that we call to the Court's attention any instance in which a professional's hourly rate reaches \$1,000.00, and thus we are complying with the Court's request. PwC provided the following additional information concerning Mr. Sieler:

We are providing additional context for the hourly rate of Jay Sieler. This individual is a PwC partner at the National Office and possesses high levels of technical knowledge, skill and experience. Therefore, the hourly rate exceeds \$1,000/hour.

4. We note that certain of the Special Project Applications for which PwC seeks approval have already been approved by the Court. These Special Project Applications and orders approving same are listed below:

- 2003 - 2006 Darex Puerto Rico Audit Application – approved by the Court on December 17, 2008 (Docket #20283);
- 2007 Darex Puerto Rico Audit Application – approved by the Court on December 11, 2009 (Docket #23996);
- 2008 Darex Puerto Rico Audit Application – approved by the Court on December 11, 2009 (Docket #23996); and
- Advisory Services Project Application – approved by the Court on September 28, 2009 (Docket #23352).

We accordingly recommend that the Special Project Applications listed in this paragraph be removed from PwC's Application.

CONCLUSION

5. Thus, we recommend approval of \$818,206.96 in fees and \$28,019.63 in expenses for PwC's services for the Application Period. In addition, we recommend approval of the following Special Project Applications:


- Controls Optimization Project Application for March 2010 – \$2,828.72 in expenses;
- Controls Optimization Project Application for April-May 2010 – \$26,876.76 in

fees and \$374.50 in expenses;

- Controls Optimization Project Application for June 2010 – \$20,792.56 in fees and \$105.00 in expenses;
- 2010 Darex Puerto Rico Audit Application – \$67,003.30 in fees and \$618.15 in expenses; and
- Shared Services Project Application – \$44,428.80 in fees and \$1,403.26 in expenses.

Respectfully submitted,

WARREN H. SMITH & ASSOCIATES, P.C.

By: 
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FEE AUDITOR

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been served by First Class United States mail to the attached service list on this 12th day of July, 2011.


Warren H. Smith

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